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Halsey, Frederic Magie

The white metal boom

New York

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The White Metal Boom

By

Frederic M. Halsey

The White Metal Boom

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ASSOCIATED WITH

JAS. H. OLIPHANT & CO.

Members of the

New York and Chicago Stock Exchanges

61 Broadway
New York City

The Rookery
Chicago

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23 March, 1920 - C.R.W.

The White Metal Boom

WE have witnessed, during this twenty-month period of strife and carnage, unprecedented advances in the prices of minerals used for the purpose of the destruction of mankind. We have watched the markets in zinc, lead, copper, nickel, iron and other products of mines, and have realized what vast fortunes have been earned by the producers.

For a long period there was one laggard in the mineral market. Silver, not low enough in value to be useful in the making of projectiles, stood at rock-bottom prices. No one was interested in silver quotations, and it did not seem likely that any advance in the price of this semi-precious product of the earth would take place for an indefinite period. The year 1915 was a dull one for the silver trade. When the year 1916 opened, however, there was a sudden and decisive turn for the better. The lowest level reached in 1915 was 46¼ cents an ounce in September, a figure so low that numerous mines were compelled to close down. In December, 1915, silver crossed 50 cents, and at the close of the year touched 55 cents. This inspired considerable buying and the product has since touched 77 and a fraction cents, which was the highest price recorded since the year 1893. It is now freely predicted that silver will go to a dollar, and this hope has led the silver-mine own-

ers to hastily prospect for low-grade ore which might, at this high figure, profitably be mined and milled.

Numerous causes have led to this advance in silver. Some claim that it is almost wholly due to the decline in the purchasing power of gold. This may possibly be a fact, but the problem must be left for solution to students of economics. We will mention in this article a few of the apparent reasons for silver's rise in price and contemplated further advance. The story must be told briefly.

The era of revolution in Mexico has vastly lessened the silver output of that republic. Likewise, China, usually a seller of silver, has come into the market for large quantities of it. The Chinese Republic is establishing itself firmly on a silver basis as a part of its financial reconstruction, and is coining a vast amount of the metal. India is likewise a heavy buyer and other Oriental countries are drawing heavily on the world's supply.

In Europe the buying of silver is universal. The boys in the trenches are mostly paid in silver coin, this being the recognized medium of circulation between the soldiers and the tradespeople. The various countries at war are withdrawing gold from circulation and coining silver in enormous quantities. In Great Britain the amount of silver being coined at present is from 12 to 14 times the amount coined during 1914. All the British mints are working day and night, and these mints have been compelled to decline orders from vari-

ous Colonies. Scandinavia, especially Sweden, is buying silver freely, and it is presumed that most of this silver finds its way into the mints of Germany. Russia is buying it and will likely buy it long after the close of the war. In all of the European countries, especially in France, Great Britain and Italy, the silver reserve is decreasing with alarming rapidity. The South American Republics are mending fences and are purchasing for their own use much of the products of the mines of that continent. The era of prosperity in the United States has caused an extensive demand for silverware and other manufactured articles of silver, although the European demands along these lines is at present very small. Generally speaking, a real boom is on and this boom will likely continue. It is freely predicted that several of the European nations after the war will be compelled to establish themselves, at least partially, on a silver basis, which means the possible establishment in these countries of a 16-to-1 ratio for free and unlimited coinage, somewhat after the ideas of a thrice-defeated candidate for President of the United States.

Silver and Silver Ratios Since the Dawn of History

The origin of silver, like most minerals, is lost in antiquity. Its history dates from the far-away ages, and its uses were known many thousands of years ago. The Bible mentions it as a standard of value in the days when Joseph was sold (for

twenty pieces of silver) by his brethren to the Ishmaelites.

The value of silver during the early ages was, as at present, largely regulated by the laws of supply and demand. We are told that at a very early date silver and gold were, in many countries, considered equally valuable, and there are records which prove that in certain ancient kingdoms isolated from the regular routes of trade the value of silver was considered twice that of gold. It seems that wherever trade and commerce flourished gold was preferred to silver and the former is known to have increased in value during the centuries, whereas silver steadily declined in its purchasing power. Records prove that in the Persian and Egyptian Empires at about the year 1600 B. C. the ratio of silver to gold was thirteen and one-quarter to one. During the centuries in which Greece was the great world power the ratio varied from ten to one to thirteen to one. The relative value of the two minerals in the Roman world previous to the reign of Julius Caesar was usually thirteen to one. The vast golden treasures, the spoils of conquest, brought to Rome during the sovereignty of Julius Caesar glutted the market so thoroughly that it brought about a reduction of the purchasing power of the yellow metal, which caused the ratio to decline to seven and one-half to one.

During the chaotic ages following the decline of the Roman power the comparative value of gold

and silver fluctuated widely. In the Seventh Century the ratio in the East (Arabia) was about seven and one-half to one, while in the West (France) the ratio was ten to one. Nine to one was the recorded average ratio for England between the years 1100 and 1200. Moving on to the year 1460 we find the ratio established by the then great Empire of Spain was seven and one-half to one. Just previous to the discovery of America by Columbus the Spanish ratio was ten and three-quarters to one.

Following the conquest of Mexico by Cortes, and of Peru and Bolivia by Pizarro and other Conquistadors, Spain, having a practical monopoly on the gold and silver market, fixed the ratio at thirteen and one-third to one. By 1573 the great output of the South American mines had been shipped to Europe in such vast quantities that silver declined for the first time since history began to the relative ratio of sixteen to one. A few years later, however, the former ratio of thirteen and one-quarter to one was re-established.

During the Seventeenth Century the numerous trading fleets of Portugal brought to the European markets the vast golden treasures of Cathay and the Indies in such quantities that Spain was forced to cede to her rival the right to be called the commercial mistress of the seas. Portugal wrested from her neighbor control of the money and precious metal markets and fixed a relative value of sixteen to one between silver and gold.

Silver maintained a high standard of price until the beginning of the present century, when it began a decline which continued almost unchecked until the beginning of the year 1916.

To recite the history of silver would require volumes. As stated, it has been one of the standards of values since before the days of Abraham. It was first coined into money about the year 750 B. C. in the Island of Ægina, which, at that period of history, was quite a favorite trading center. The coins were of standard weight and were stamped with the imprint of a turtle. This coinage custom soon spread throughout the length and breadth of the then civilized world, superseding the former system of making payment in talents. The talent of the Ancients represented a man's load or 60 pounds. A golden talent was worth, in accordance with the valuation of those days, $10,000, while a silver talent was worth (Eighth Century, B. C.) $1,000. The finest silver coins ever produced were made by the Greeks, their trade secrets being handed down from father to son. Rome issued its first silver coins in about the year 270 B. C. The silver coins of the Middle Ages, especially those of Central and Western Europe, were poorly designed and crudely made, reflecting the decline in the arts so noticeable during that period. Beginning with the fourteenth century workmanship improved gradually, the improvement being continued down to the present day.

Where Silver is Produced

Australia, Bolivia, Mexico, Peru and the United States have produced the most silver during the past three centuries. In the Republic of Bolivia there are to-day, in addition to a number of important producers, no less than ten thousand abandoned silver mines. Many of these lower-grade properties could be successfully worked were it not for the high transportation costs in reaching the world's markets. The famous mines of Potosi yielded untold wealth during the days of Spanish supremacy. From the Potosi Mountain (Cerro de Potosi) there was sold for export during a period of forty years no less than $70,000,000 silver, not including the vast amount stolen or smuggled during the period. It is estimated that from the Potosi district not less than $1,500,000,000 in silver has been exported. Indications point to a boom in the Potosi field during the next few months, providing the present high price of silver is maintained. The Bolivia Railway has recently completed a line, at great expense, to Potosi, and this will somewhat reduce transportation costs to this district of high altitudes. Among the mines which have been great producers may be mentioned the Huanchaca, Pulacayo, Oruro, Colquechaca, and Telilla.

Mexico, long a vast producer of minerals, has vast areas of silver lands in the district of Chihuahua and in other adjacent districts. Under normal conditions about one-half of the mineral prod-

ucts exported by the now revolution-cursed republic consists of silver; to-day the silver output is much reduced and the Mexican silver dollar, owing to the demoralized financial condition of the country, is worth less at home than the raw product is worth in our markets. In Central America, the famous New York & Honduras Rosario mine, located at San Juancito, Honduras, is the largest and most important silver property. This mine, managed and controlled by men of the highest integrity, has a long dividend record, having since the year 1882 produced about $21,200,000 in silver.

The United States and Canada have within their boundaries large silver areas. In Canada, the most important mines are located in Ontario, principally in the Cobalt Dome and Gowganda districts. Probably the best known of these mines, so far as the American investor is concerned, is the Nipissing property, for the past decade a large and successful producer. The silver mines of the United States exist mostly in the mountain districts of the West. Nevada ships large quantities of the bullion to China and the East and has a long record as a producing State. In Washington and Idaho, principally in the Coeur d'Alene district, a number of dividend-paying silver mines are located. The names of many of these mines are bywords to New York curb brokers. Colorado in the old days had many successful silver mines, many of which have been worked out, causing a decline in the output. This field, however, is show-

ing signs of returning life. Of course, silver is mined as a by-product by numerous lead, copper and zinc producers. For example, at present prices the silver output of the Anaconda Copper mines for 1916 will likely exceed $6,000,000 in value.

Silver exists in every continent and in almost every country. In Australia, the Broken Hill district in the Great Barrier Range of New South Wales has produced during the past score of years vast quantities of the ore. The Broken Hill Proprietary Co., Ltd., has paid, during recent years, as high as 68¾% on its stock; likewise, the British Broken Hill Proprietary Co. recently paid as large a dividend as 37½%. There are numerous other silver mines located in the various Australian States, including the island of Tasmania, these forming a large proportion of the resources of the Commonwealth.

Care Must be Exercised in Purchasing Silver Stocks

Money invested in silver mining stocks just at the present time may return substantial profits. Great care should be exercised, however, in purchasing this class of stocks. The army of iron-clawed harpies, ready as ever to take advantage of a mining boom as a means of gathering in the spoils, is abroad and alert, and many a hard-earned dollar will as usual find its way into their horny clutches. There are honest men in the field, how-

ever, and there are plenty of honestly managed silver mines. If he who reads contemplates being drawn into the silver vortex let him study the situation carefully and make his purchase before the wave reaches its crest and breaks. If silver goes to a dollar, as the producers hope, there will be substantial profits for many, and the real mines will reap the harvest.

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Close attention is given to the study of securities and we feel we are qualified to give sound advice on investment matters. Our opinions are not prejudiced by reason of any personal interest involved due to ownership.

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Our statistical department is well equipped with official reports and original data, and is prepared to furnish all obtainable information concerning Railroad and Industrial Corporations.

We direct special attention to the requirements of investors through our Investment Service and Inquiry Department.

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